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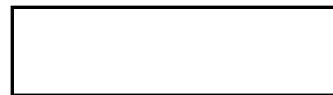
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EC-China Trade Agreement Ahead

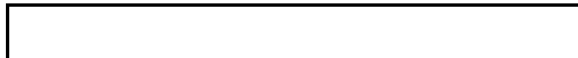
Peking has accepted the EC offer to begin negotiations on a trade agreement along the lines the EC suggested a year ago for pacts with Communist countries. A Chinese delegation will come to Brussels for the negotiations, perhaps in early February.

In contrast to the East European countries, Peking has acknowledged the Commission's role as negotiator for all EC member states jointly under the common commercial policy. The model agreement proposed by the Commission to all state-trading countries suggests non-preferential trade accords of five or ten years duration. It would include offers to enlarge or eliminate quotas. The model also holds open the possibility of wider economic cooperation.

In addition, the Chinese mission in Brussels had already showed interest this fall in the trade preferences available to all developing countries under the Community's scheme of generalized preferences. Commission officials believe that a Chinese application for generalized preferences would probably be granted by the EC Council.

The EC ranks third this year--after Japan and Hong Kong--among Peking's trade partners, and China would like to reduce its trade deficit with the community. In 1974, the EC exported goods valued at \$975 million to China, while its imports from China were valued at \$828 million.

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British Labor Party Loses Parliamentary Majority

The death of a Labor MP this week has deprived the Wilson government of its one-seat majority in parliament. The vacancy leaves Labor and the combined opposition tied, each with 317 seats.

Labor has yet to decide on a candidate to run for the vacant seat and to settle on a date for the by-election. There is speculation that the election will be held in early spring. The Coventry Northwest seat has traditionally been held by the Labor Party, which carried the constituency with 56 percent of the vote in the October 1974 elections.

The vacancy is unlikely to threaten the government's working majority on the floor of the Commons, but it will deprive the government of a majority on committees.

The death of the MP further complicates what appears to be an increasingly difficult situation for the Wilson government. Two Labor seats held by John Stonehouse and John Ryman are expected to be declared vacant as a result of court proceedings.

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There is speculation that another Labor MP, Alfred Broughton, may resign shortly; his resignation would set the stage for a fourth probable by-election. All four of these seats have large and presumably safe Labor majorities, but the Labor candidate to replace Ryman could be defeated should former incumbent Eddie Milne, an independent candidate, decide to run again.

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Left Radicals Hold Party Congress in Paris

The left Radical party congress in Paris on December 14-16 failed to put an end to the party's soul-searching over its role as the junior partner in the Communist-Socialist alliance and suggested that President Giscard's efforts to woo individual members could meet with further success. The party is the only member of the alliance to have accepted Giscard's offer to open a dialogue and some senior members have said they could support the government on certain issues.

Much of the left Radicals' public weighing of the relative advantages of remaining in the left alliance, taking an independent stance, or joining the governing coalition is a warning to their leftist allies that the party, and its 13 deputies, cannot be taken for granted. At the same time, the party is deeply concerned that the increase in the Socialists' popularity may lead them to try to absorb the left Radical constituency. It fears that the Socialists may no longer be willing to step aside to let the Radicals run in "safe" districts. More general concerns center on complaints that the Communists and Socialists make alliance policy without adequate consultation with their small partner.

The congress did succeed, as party leaders had hoped, in presenting a vivid contrast to the earlier congress of the rump Radical party, with which the left Radicals broke in 1972. The Radicals, now a member of the governing coalition, elected a new party president only after a last-minute challenge by party mavericks that revealed the Radicals' deep

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divisions on both personnel and policy options. In contrast, the left Radical congress sessions proceeded on schedule and unanimously elected officers, returning its president Robert Fabre for another term. The party voted support for proposals that a proportional representation system be adopted for legislative elections; for continuing progress toward European integration; and for efforts to achieve a leftist electoral victory. The congress also rejected the organization of unions in the armed forces, but favored instead "soldiers' committees."

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The Spanish Government's Statement of Principles

The statement of principles which the new Spanish government issued on Monday emphasizes economic and social welfare and orderly political reforms. The statement is forward looking, but its broad generalities and lack of any timetable will disappoint the left, which will continue to try to organize strikes and protest demonstrations to bring pressure on the government.

The statement, issued following a cabinet meeting presided over by King Juan Carlos, declared that the government's commitment to act implies constant improvement of the institutional system. Continuing the King's policy of taking every opportunity to solidify his military support, the government's statement led off with praise for the armed forces as a pillar of constitutional order and a promise to strengthen the services.

Turning next to economic and social goals, the government said it would work to assure a job for all and pledged a transformation of economic, social, and cultural structures to promote social justice. The government statement said these policies would be pursued within the framework of a market economy and noted that "austerity and work are required of all."

In promising political reforms, the statement of basic principles gave special priority to expansion of civil liberties and rights--particularly the right of association. While noting that it would be premature to present a detailed program, the government seemed to point to reform of the legislature, to a widening of suffrage, to the development of political parties, and to the abrogation of anti-terrorist laws.

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The statement cautioned that reforms presuppose popular acceptance of a process of evolution. This is a clear warning against demonstrations and strikes which leftists have already started. The government also promised to strengthen national unity by institutional recognition of all regional and local autonomy. This is an effort to respond to Basque and Catalan grievances.

In foreign affairs, the government promised cooperation, "--without acceptance of discrimination--" with other countries in defense of Spain's national interests which are especially tied to the Atlantic and Western world. This was clearly a restatement of Spain's desire to join NATO, and a rejection of Madrid's exclusion because of its form of government.

Two small actions this week tend to add credibility to the government's intentions to open up the political system. It returned Socialist leader Felipe Gonzalez' passport, and Deputy Prime Minister Fraga reportedly had lunch with Professor Tierno Galvan, leader of the illegal Popular Socialist Party and a member of the Communist-dominated Democratic Junta.

Meanwhile, discontent continues over the limited pardon issued by King Juan Carlos. According to press reports, political prisoners in Madrid and Segovia went on a hunger strike Monday to demand complete amnesty for opponents of the Franco regime who were not released. At the same time some 5,000 miners in Asturias staged a strike to demand a broad amnesty and liberalization of the regime.

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Annex

Portuguese Anti-Communists Edge Country Back Toward Center

The unsuccessful uprising by leftist paratroopers on November 25 brought Portugal to a political crossroads. As a result, the country is no longer being moved steadily toward the left, but is being edged back toward the center.

The anti-Communists' exploitation of the far left's poorly planned uprising does not necessarily portend political stability for Portugal--at least not in the near term. Even in the face of a diminishing Communist threat, new frictions have developed within anti-Communist ranks over the Communist participation in the government and the military's role in politics.

The excesses of the pro-Communist left over the past year have served to blur the memories of right-wing rule and enabled conservative views--virtually unheard since the 1974 coup--to gain new respectability.

A Conscious Overreaction

Anti-Communists in the armed forces consciously overreacted to the paratrooper uprising, responding as if it were a full-fledged leftist coup attempt and portraying it as such. Anti-Communist leaders have, as a result, been able to consolidate their power and remove leftist military officers, even those not directly implicated.

Generals Carvalho and Fabiao and the Communist Party have been fingered by some anti-Communists

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as the instigators of the uprising, but all three have been exonerated of any direct involvement in preliminary conclusions reached by the committee investigating the affair.

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The committee has found evidence that the paratroopers were supported by radical soldiers--some with connections to the Communist Party--and by followers of extremist political parties who probably hoped to overthrow the government. The extremists, taking a cue from the paratroopers' occupation of four air bases, seized several Lisbon radio and TV stations and broadcast hysterical appeals for support. The response was negligible.

The far left attracts the fanatical backing of a dedicated few, but has never had much success in turning out sizable crowds without the help of the Communist Party. The extremists, in this case, probably counted on Communist help, but it has not been established that Communists ever encouraged the plotters to believe they would have such help.

A Moral Promoter

While the Communist Party may not have played a direct role, it was, in the words of Socialist leader Soares, the "moral promoter" of the uprising. Before November 25, Communist-led demonstrations had effectively paralyzed the government and put an end to Prime Minister Azevedo's step-by-step campaign to limit left-wing influence.

On one occasion, a Communist-incited mob laid siege to Azevedo's residence and forced the government into an about-face on prohibiting wage increases.

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The Communists probably would have preferred simply to keep the government impotent and to continue a war of attrition against their political enemies. Now, the party must reappraise its strategy.

The Communist Party still has the capacity to make a lot of trouble for the government. The party has lost much of its influence in the military and the media, but it is still an effective organization with a considerable following in labor and among agricultural workers in the south.

Party discipline appears largely intact. For example, 20,000 cheering Communists turned out in inclement weather last week for the first party rally since the uprising.

For the time being at least, party leaders are taking a conciliatory line. They are backpedaling on attacks against the Azevedo government in an effort to continue Communist participation in the cabinet.

In an attempt to soften memories of the Communists' earlier strident attacks, party statements now seek to remind those in power that the party has always advocated a political solution to the country's ills and kept the door open for a reconciliation with the Socialists.

Communist officials are not, however, willing to give up too much just to maintain the party's single post in the government. They have ignored the Socialist demands that they repudiate the November 25 incident and pledge complete loyalty to the Azevedo government.

It is no secret that the Socialists and other government leaders want the Communists to share responsibility for the unpopular economic policies that will soon have to be enforced. The Communists

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seem confident that they will have a continuing role in Portuguese politics.

In the past, the party has usually responded to a setback by shifting to the left or right to accommodate the side with the temporary advantage. This time, the party is trying to make peace with the victorious military faction led by Foreign Minister Melo Antunes. The party can be expected to continue its effort to drive a wedge between the Socialists and Popular Democrats.

The Antunes group and the Socialists will be wary of Communist blandishments. They know now that the hard-line Communist leadership's concept of co-operation is domination.

If popular front tactics as practiced by the battle-hardened Communist leader, Alvaro Cunhal, are not softened, party fortunes will probably continue to sink.

Reported dissension within the party over basic strategy could bring to the fore younger leaders, who would prefer to follow the example of the Italian Communists. There is little chance that Cunhal will be thrown out any time soon, but his control of the party may be loosened.

New Frictions

The Socialists and Popular Democrats' are seeking to capitalize on the Communist retreat and are demanding that their political power be increased at the expense of those responsible for the leftist trend of the past 20 months--the Armed Forces Movement and the Communists. The aggressiveness of the democratic parties--and particularly the Popular Democrats--is designed not only to keep the military and political left on the defensive, but also to enhance the parties' prospects in the legislative election, promised in the first half of next year.

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The two parties worked closely when the Communists were threatening, but now that the danger is subsiding, the basic differences between Socialists and Popular Democrats are taking on new importance. They have never gotten along well, partly because they compete for support among the same segments of society. The Popular Democrats last year shifted their line to the left in an effort to take supporters away from the Socialists.

Now, the Popular Democrats sense a trend toward political conservatism in the country. Party chief Sa Carneiro is moving the party to the right. The Socialists sense the trend, too, but they cannot move too far to the right for fear of destroying the delicate balance between the party's Marxist and social democratic factions.

The Popular Democrats' move to the right has cost them in terms of party unity. Several prominent Popular Democratic leaders--members of the party left wing--have quit the party and the youth wing is challenging Sa Carneiro's leadership.

The Popular Democratic leader has already been forced to back track. He had been insisting on the Communists' immediate dismissal from the Azevedo government.

Now he has accepted the more tolerant Socialist position. The Socialists, along with many military figures like Antunes, believe Communist participation in the government is desirable to cover the purge of party adherents lower down.

Debate Over Military

The Socialists and Popular Democrats agree on the need to restrict the military's role in politics. They point out that the Armed Forces Movement is demonstrably too divided to rule effectively and that the generals and admirals ought to lead the military back to the barracks.

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In contrast, the Communists are urging military leaders to retain their present political role. The Communists aim to regain support in the armed forces, which have been the focal point of the Communist strategy for the past 20 months.

Military leaders are far from agreement on the subject. They have, however, agreed to allow the civilians a greater role in running the country and are revising the pact signed last April, which gave the armed forces domination for the next three to five years.

The agreement being worked out will redefine the role of the military; making it the "guarantor of democracy" instead of the "driving force of the revolution."

In fact, a law approved by the Revolutionary Council last Friday stipulates that the military stay out of partisan politics.

Military figures who have been prominent politically--notably Major Melo Antunes--will be looking to their political futures and will be reluctant to give up specific military advantages--like the right to veto presidential nominees.

Antunes believes that the military will have to go on with a key role in government if the Portuguese revolution is to be guided beyond the stage of parliamentary democracy and on to the desired socialist society.

The Antunes philosophy is essentially that of the armed forces when they took power in April 1974. Today, it is a source of dissension within the military. More conservative officers are beginning to question the commitment to socialism; some are leaning toward a military withdrawal from political affairs.

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Proponents of these views have organized themselves into a group known as the "professionals" and have drawn up a list of objectives. Opposed to socialism, still espoused by the Antunes faction, the new group prefers to restrict the armed forces to military affairs and let the people choose for themselves whether they want socialism.

Antunes' preeminent position does not appear to be in danger at this point, but the "professionals" hope eventually to force him from his military posts though they are amenable to his remaining in politics as a civilian. The leaders of the "professionals" directed the operations that put down the November 25 uprising, and many have since assumed key military posts.

As the purge of the left runs its course and officers known for their professional standards and a willingness to enforce discipline are placed in command positions, the "professionals" will be in a better spot to assert their will.

Meeting the Opposition

Despite the problems caused by the diverging political interests within the ranks of Portugal's anti-Communists, the Azevedo government seems likely now to stay in power, with only minor changes, until a legislative election is held some time next spring. Prime Minister Azevedo has proved himself a fairly strong leader, and his government is in a good position to continue removing Communists from their strongholds in the media, labor unions, and the military and to slow down the pace of land expropriation and nationalization.

Azevedo's most serious challenge will be the economy. An economic austerity program is supposed to go into effect before the end of the year, but it may not be austere enough to ease significantly Portugal's foreign exchange troubles. If more

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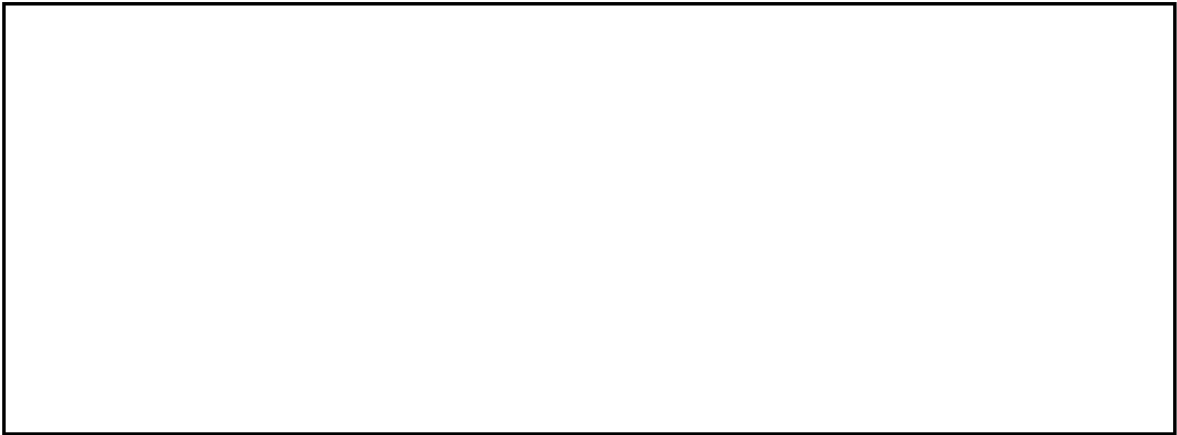
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drastic restrictions are imposed, the resulting shock could provide the Communist forces with the impetus for a comeback.

Right now, the Communists do not pose serious problems, but the government will still face opposition. Harsh government measures to round up weapons held by civilian radicals and to deport foreign revolutionaries will anger the far left, which may turn to terrorist retaliation. Terrorism has been used sparingly by the left since the overthrow of the Caetano regime.



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